



House Bill 3809
Pension Board Shareholder Resolutions

Sponsor: Boland, Mike

Summary: The legislation establishes a 16-member Pension Election Policy Commission. The Commission shall establish a uniform policy for the resolution of contested board elections and a consistent policy for voting on shareholder resolutions. The policy must be established by January 1, 2006. The Board of Trustees of each state retirement system shall adopt the policies that have been established by the Commission.

The Commission consists of two members appointed by each leader in the General Assembly, as well as two members appointed by the Governor, Lieutenant Governor, Treasurer, and Comptroller.

Digest: The legislation lacks clarity as to the intent of the Commission's duties. As written, the Commission seems to have two separate and distinct duties. First the Commission is asked to establish a uniform policy on the resolution of contested board elections.

Second, the legislation charges the Commission with establishing a "consistent policy" for voting on shareholder resolutions. These shareholder resolutions or proxy votes are issues that are awaiting a decision that is to be made by the company's shareholders. These proxy votes have become the subject of media attention due to scandals that have occurred at several large companies.

Comments: The legislation attempts to establish a Commission that will have the authority to establish investment policy for each of the state's five-pension systems. As a result, the legislation infringes on the authority of each pension system Board of Trustees to establish investment policies that will fulfill its' fiduciary responsibility. It is the exclusive right of each pension system Trustee to establish and manage the assets of the fund in compliance with their duties as a fiduciary under 40 ILCS 5/1-109.

To allow a third party to establish policy in this area would violate this essential part of pension fund management.